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No. 00-138

In the Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., SAMSUNG ELECTRONICS AMERICA, INC., AND SAMSUNG SEMICONDUCTOR, INC.,
Petitioners,

v.

SEMICONDUCTOR ENERGY LABORATORY CO., LTD.,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITIONERS' REPLY TO BRIEF IN OPPOSITION

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PETITIONERS' REPLY TO BRIEF IN OPPOSITION

Samsung Electronics Co., Ltd., Samsung Electronics America, Inc., and Samsung Semiconductor, Inc. (collectively "Samsung") submit this reply to Semiconductor Energy Laboratory Co., Ltd.'s ("SEL's") opposition to Samsung's petition for a writ of certiorari to review the Federal Circuit's judgment dismissing Samsung's federal RICO claims on grounds that the Patent and Trademark Office ("PTO") was not defrauded of "property" and dismissing Samsung's New Jersey RICO claims as preempted by federal patent law.

Not only does SEL present no legally or factually legitimate opposition to Samsung's petition, but SEL confirms that the issues presented by Samsung's petition are independently meritorious in their own right as well as highly

relevant to the determination of the issues presented by *Cleveland v United States.*[1] For the reasons set forth in the petition and herein, Samsung respectfully requests that its petition for writ of certiorari be granted.

ARGUMENT IN REPLY

SEL's brief in opposition is most notable for what it does not say, for what it does not rebut, and for what it does not even try to defend. As shown herein, SEL did not, and cannot, dispute the jurisprudential significance of any of the three issues presented by Samsung.

I. Samsung's Petition Presents A Question Related And Important To The Determination Of *Cleveland v. United States*

Conspicuously, SEL makes no attempt to respond to, much less rebut, Samsung's demonstration of why the questions presented by Samsung's petition are highly relevant to the issues currently before the Court in *Cleveland v. United States*. SEL does not cite or discuss any of the conflicting cases addressing any aspect of the unissued governmental grant as "property" question presented by Samsung. *See* Pet. at 13-21. SEL makes no attempt to defend the Federal Circuit's analysis, nor to provide a principled alternative rationale for its holding. SEL also offers no response to Samsung's detailed showing that the

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[1] The Court has granted a writ of certiorari on the related question: "Can alleged false statements or omissions in applications for state licenses be the basis for federal mail or wire fraud charges, on the theory that a license that has not yet issued constitutes 'property' of the State, of which the State is deprived when it issues the license?" *Cleveland v. United States,* (No. 99-804) (petition granted March 20, 2000). Samsung submitted an Amicus Brief in *Cleveland* on August 2, 2000. Oral argument in *Cleveland* has been scheduled for October 10, 2000.

issues presented by this case provide perhaps an even better analytical and factual framework in which to consider the "property" issue than those presented by *Cleveland*.

In practical effect, SEL's silence in opposing the merits of Samsung's petition serves to highlight the accuracy of Samsung's propositions that the scope of the government's property rights in an unissued patent may not be fully resolved by *Cleveland* and that simultaneous consideration of the present patent "property" issue together with the license issue in that case will provide an important dimension to, and a broader contextual framework for, the question already before the Court. The fact that various briefs of the parties and amici in *Cleveland* alternatively rely on or criticize the Federal Circuit's rationale in this case confirms the relevance and importance of Samsung's petition to a full and proper adjudication of the issues in *Cleveland*.

SEL begrudgingly concedes that one proper resolution for Samsung's petition on the dismissal of its federal RICO claims is that this case "might simply be held for later ruling" pending the outcome of the *Cleveland* case. Opposition Brief ("Opp.") at 3. At a minimum, resolution of this petition certainly would have to await the outcome in *Cleveland*. While nothing less would be appropriate, the far better course of action would be for the Court to grant Samsung's petition so that the any possible distinctions between various types of governmental grants (including licenses, franchises, and patents) can be presented for the Court's consideration with the additional context of an intellectual property setting.

Regardless of whether the *Cleveland* case is argued before the complementary issues presented by Samsung's petition can be briefed and argued, the more important consideration is that both cases could be decided by the Court

during the current Term. Samsung's petition should be granted and considered in conjunction with *Cleveland*.

II. SEL's Attempt To Reargue Its Own Petition Is Improper And Meritless

Unable to argue that the Federal Circuit had a sound basis for concluding that a patent is not "property" in the hands of the government, SEL instead attempts to use its opposition to Samsung's petition in a misguided attempt to reassert the premises of its own petition for writ of certiorari (No. 00-127). According to SEL's indirect premise, this Court should decline to review the dismissal of Samsung's RICO claims not because the Federal Circuit was correct in its mail fraud analysis, but rather because SEL should not have been held to have committed inequitable conduct in the first place.

Not only is such argument misplaced and improper in the context of opposing Samsung's petition, but SEL's assertions are directly refuted by the findings of the District Court (which were undisturbed on appeal) which compelled the District Court to conclude that "[t]he evidence demonstrates a sophisticated, subtle, and consistent effort to hide the ball from the PTO" that reflected SEL's "intentional, not accidental or inadvertent, plan to mislead the PTO." Pet. App. 85a. As Samsung's opposition to SEL's petition clearly demonstrates, SEL's attempt to convince this Court to review the Federal Circuit's affirmance of the district court's detailed inequitable conduct determination is meritless and should be denied. *See* Brief for the Respondents in Opposition, *Semiconductor Energy Laboratory Co., Ltd. v. Samsung Electronics, Co., Ltd., et al.* (No. 00-127) (filed August 24, 2000).

Contrary to SEL's oft-rejected assertions, SEL did not conform its conduct to the PTO rules, SEL did not comply with the applicable regulatory guidelines, and SEL intentionally did not fulfill the duty of disclosure that is fundamental to this country's *ex parte* patent application system. As the district court found, Dr. Yamazaki read and understood the Japanese Canon '968 reference; consciously decided what to selectively reveal to the PTO; and acted with an intent to deceive the PTO so that the potentially valuable '636 patent would issue without SEL having to overcome the teachings of the untranslated information. This was no innocent mistake but intentional deception.[2]

For SEL to decry Samsung's established defense as "unfounded fraud" at this stage of the case is pure fiction. Such disproved mischaracterizations are not only irrelevant here, but they cannot alter why Samsung's RICO claims are ripe for this Court's immediate review. This case was more than simple inequitable conduct; it was an unmistakably clear instance of an applicant intentionally misleading the PTO into granting a patent without knowledge of highly material, concealed information. Because SEL's fraudulent conduct before the PTO has been conclusively established by clear and convincing evidence, this case provides the proper setting in which to consider whether the Federal Circuit erred in creating a precedent under which RICO claims can *never*

[2] SEL's reliance on the denial of Samsung's invalidity summary judgment motion as showing that the '636 patent was "held not to be 'obvious' and thus not obviously undeserved" (Opp. at 8) is legally flawed. Denial of summary judgment is not a disposition on the merits. After a seven-day trial on inequitable conduct, the district court concluded that the highly material information intentionally concealed from the PTO by SEL would have rendered the claimed subject matter obvious. Pet. App. 96a n.13. The Federal Circuit agreed. Pet. App. 9a. Thus, SEL cannot be viewed as having lost an arguably valuable patent, but merely the right to enforce a patent that never should have issued.

be supported by acts undertaken in the context of fraudulent procurement of patents.

SEL's suggestion that Samsung's RICO claims could have been rejected on alternative grounds ignores that the Federal Circuit's sole basis for affirming the district court's dismissal of those claims was that patents are not "property" until they are issued by the PTO. Pet. App. 22a. Unquestionably, the Federal Circuit intentionally crafted a broad holding to foreclose all future RICO claims from being brought in any patent cases in its jurisdiction. In doing so, however, that court distorted long-established "patents are property" precedent, glossed over many important considerations bearing on the fundamental question, and disregarded the broad scope of SEL's sophisticated plan to deceive the PTO into granting undeserved patents to be asserted against Samsung.

SEL's opposition also attempts to misdirect this Court's attention to claims that Samsung did not establish below (a *Walker Process* antitrust claim and a claim for attorneys' fees under 35 U.S.C. § 285) as additional reasons why Samsung's RICO claims should fail. However, each of these claims has its own unique elements, and the success or failure of those different claims cannot be used to determine whether Samsung's RICO claims were properly rejected for the reason stated by the Federal Circuit; that is, that the government was not being deprived of a property interest by SEL's fraudulent acts in obtaining U.S. patents.

RICO was enacted by Congress to penalize exactly the kind of conduct in which SEL has engaged.[3] It requires no

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[3] Subsequent to the Federal Circuit's decision, SEL again sued Samsung over products related to those at issue here, alleging infringement of another patent related to the unenforceable '636 patent. *Semiconductor Energy Laboratory Co., Ltd. v. Samsung Electronics, Co., Ltd.*, Case No.

expansion or inappropriate use of RICO doctrine to reach SEL in this instance. Contrary to the Federal Circuit's fears, RICO does not and should not apply to the vast majority of inequitable conduct cases, but this Court should not allow the Federal Circuit's superficial "property" analysis to foreclose RICO from ever being applied to those few patent cases, such as this one, where it is warranted. Simply put, Samsung's petition (No. 00-138) should be granted and SEL's petition (No. 00-127) should be denied.

III. Federal Preemption Of State Law Claims Is An Issue Worthy Of The Court's Consideration

Although SEL's opposition brief cites a preemption case which is presently before the Court,[4] SEL nevertheless argues that the Federal Circuit's ruling that federal patent law preempts Samsung's New Jersey RICO claims is an issue 'unworthy' of the Court's consideration. Opp. at 9. The opposite is true. Not only has the Court accepted an arguably complementary preemption question in *Buckman*, but the Court has emphasized over and again that issues of federal supremacy and state sovereignty indeed present "worthy" questions for review.

1:00CV00750 (D. D.C.). Undeservedly relieved of the risk of affirmative liability, SEL is thus again seeking to benefit from its family of ill-gotten patents obtained through the pattern of fraudulent misconduct recognized by the District Court. *See* Pet. at 24 & n.16. Samsung should not be forced to defend itself against SEL's arsenal of fraudulently-procured patents one at a time with no ability to seek affirmative relief.

[4] *See* Opp. at 2 (citing *In re Orthopedic Bone Screw Prods. Liability Litigation*, 159 F.3d 817 (3d Cir. 1998), *cert. granted, Buckman Co. v. Plaintiffs' Legal Committee*, 120 S. Ct. 2739 (2000) (on question of whether federal law preempts state-law tort claims alleging fraud on the Food and Drug Administration)).

Even if preemption itself did not already justifiably demand this Court's attention, the Federal Circuit's misguided preemption analysis in this case should. In an attempt to ensure that no state law RICO claim could ever be stated in conjunction with fraud on the PTO, the Federal Circuit *sub silentio* applied field preemption to Samsung's New Jersey RICO claims. Even under its own precedent, the Federal Circuit applied the wrong procedural framework for analyzing the preemption issue, and reached the wrong result. *See Dow Chem. Co. v. Exxon Corp.*, 139 F.3d 1470, 1476-77 (rejecting preemption where state law unfair competition claim did not turn "solely" on inequitable conduct and required different elements), *reh'g denied*, 144 F.3d 1478 (Fed. Cir. 1998), *cert. denied*, 525 U.S. 1138 (1999).

Contrary to SEL's assertions, Samsung neither pled nor argued that inequitable conduct "without more" was sufficient to constitute a state RICO violation. The Federal Circuit failed to discern that New Jersey RICO claims require proof of elements in addition to those required to establish inequitable conduct before the PTO. *See* Pet. at 21-25. Moreover, state and federal RICO exist to penalize conduct which has been made illegal, and which would be unremediable if patent laws are a litigant's only recourse. Contrary to the Federal Circuit's apparent fears, SEL's challenged activities were not merely "ordinary" inequitable conduct but a subtle, orchestrated scheme of intentional fraud designed to obtain unwarranted patents for which SEL had targeted Samsung as a victim from the outset.

Even if the judicial doctrine of inequitable conduct stands on the same par as statutory law for purposes of the Supremacy Clause, the federal patent laws were never designed to deal with egregious conduct like that engaged in by SEL and should not properly be used to preempt valid state law claims that were.

IV. The Federal Circuit Ruling Clearly Rejected The Majority Rule On Convergence And Wrongly Focused The Mail Fraud Inquiry On Whether A Patent Was Property In The Hands Of The Government Prior To Issuance

Finally, SEL wrongly suggests that, because the Federal Circuit declared that it was not reaching any of the District Court's alternate grounds for rejecting Samsung's RICO claims, the Federal Circuit did not decide the question of "convergence." Opp. at 12. According to SEL, because the Federal Circuit did not expressly address "convergence" below, that issue could not have been reached or decided, and therefore this Court should decline to consider whether convergence is required in the context of Samsung's claims in this case. Opp. at 12.

However, SEL's notion that the convergence question was not addressed ignores how the Federal Circuit reached its decision. The Federal Circuit ruled that Samsung had failed to state a valid mail fraud claim solely on the basis of that court's determination that a patent was not property in the hands of the government prior to issuance. To do so, the Federal Circuit implicitly – but necessarily – rejected the notion that a mail fraud claim could be stated (as Samsung clearly pled and proved) when a misrepresentation is directed at one entity (here, the PTO) and the victim or target of the fraud is another entity who is deprived of money or property (here Samsung, from whom SEL tried to extort licenses and other fees).

If the Federal Circuit had not required convergence, it would not have needed to decide whether an unissued patent was "property" because, in the absence of such convergence, SEL's fraudulent acts toward the PTO targeted at extracting money from Samsung could clearly have satisfied mail fraud

(and thus RICO) even if the patents obtained were not property until issuance. Thus, the Federal Circuit wrongly engrafted a requirement of convergence onto the mail fraud statute, and in so doing, exacerbated the existing confusion in federal mail fraud jurisprudence.

Because the convergence issue is properly presented by this case, the Court should also grant Samsung's petition to resolve the circuit conflict on this increasingly important issue of law. Indeed, that independent reason for granting a writ of certiorari becomes even more compelling if the Federal Circuit's rationale that "patents are not property until issued" were somehow allowed to survive.

CONCLUSION

Samsung's petition for writ of certiorari (No. 00-138) should be granted.

Respectfully submitted,

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